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SUBJECT: COMMERCE MINISTER DISCUSSES TIFA, TRADE WITH IRAQ,
GOVERNMENT-PARLIAMENT RELATIONS

REF: KUWAIT 1706

1. (SBU) In a December 11 meeting with the CDA, Minister of Commerce and Industry Falah Al-Hajeri acknowledged the importance of making progress on TIFA-related issues, denied the existence of restrictions on Iraqi imports to Kuwait, and dismissed reports of possible dissolution of the National Assembly as rumors. Al-Hajeri was accompanied by Assistant U/S for Foreign Trade Abdulazziz al-Khalidi and Advisor to the Minister Ghazi al-Mudaf. CDA was accompanied by the Commercial Counselor and econoff.

TRADE AND INVESTMENT FRAMEWORK AGREEMENT (TIFA)

2. (SBU) CDA introduced the Commercial Counselor and invited the Minister to attend the upcoming Conference on Trade and Investment to be held in Jordan early next year, possibly in mid-February. (Note: This Conference hosted by Secretary of Commerce Gutierrez, initially scheduled for early January, is being postponed to mid-February due to the upcoming POTUS regional visit. End Note.) Al-Hajeri assured the CDA that he would attend the Conference if the National Assembly is out of session. CDA also informed the Minister that TIFA (Trade and Investment Framework Agreement) negotiations that were scheduled for January 10 will be postponed until mid-February. He informed the Minister that AUSTR Shaun Donnelly has to delay his regional trip due to scheduling conflicts with the upcoming POTUS visit and would try to re-schedule it as soon as possible.

3. (SBU) CDA emphasized the importance of the TIFA process and encouraged the GOK to make progress on several pieces of TIFA-related legislation that are pending in Parliament including amendments to copyright and patent laws, labor laws, and tax laws. CDA particularly stressed the importance of passing an amendment to the corporate taxation law that will reduce the tax rate on foreign corporations from 50 percent to 15 percent and remove ambiguity about the definition of taxable entities. Al-Hajeri assured the CDA that all the laws pending in Parliament will be passed eventually. "Kuwait is a democracy," he said, "we have to follow the democratic process to maintain a stable government." He expressed confidence that the taxation law will be passed soon.

4. (SBU) Al-Khalidi said the Ministry had drafted all the amendments required by the TIFA process. Unfortunately, he said, getting them passed in Parliament is outside the Ministry's control. Although the GOK is eager to move forward with TIFA, the Ministry is helpless in getting bills passed in the National Assembly, he said. CDA cautioned that the TIFA process will be long, and a lot more progress needs

to be made before a Free Trade Agreement can be discussed. Al-Hajeri affirmed the need to further strengthen the important US-Kuwait trade relationship, which he argued is based on a long and significant history of cooperation between the two countries.

15. (SBU) Commercial Counselor mentioned that trade between the United States and Kuwait has grown steadily over the last several years. This year, she said, the value of U.S. exports to Kuwait has topped USD two billion. Al-Hajeri added that trade between the two countries would grow exponentially once a Free Trade Agreement is signed.

NATIONAL ASSEMBLY

16. (SBU) When asked about suggestions of a possible dissolution of the National Assembly, Al-Hajeri laughed it off as mere rumor. He reiterated that Kuwait is a democracy and is going through the democratic process. He expressed confidence in the diplomatic skills and political experience of the Amir in managing challenges with the National Assembly. The situation in the Kuwaiti National Assembly is similar to the U.S. Congress, he said. Members have their own agendas and interests. Decision-making is therefore a slow and deliberate process.

KUWAIT-IRAQ TRADE

17. (SBU) CDA asked about restrictions on Iraqi imports to Kuwait and urged the Minister to expand trade between the two countries. The Minister said that he was unaware of any restrictions on Iraqi imports and believes that Iraqi goods

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are free to enter the Kuwaiti market through legitimate channels. He asked the CDA to approach relevant Ministries with questions or concerns about specific restrictions (Note: per reftel, post has raised this issue with the MOI, Kuwait Customs, and with the Kuwait Chamber of Commerce in recent meetings. End Note.) Al-Hajeri assured the CDA that Kuwait is open to Iraqi imports and that Kuwaitis are willing to allow Iraqi products in the Kuwaiti market. Al-Hajeri cited security concerns as a possible reason for placing restrictions on certain Iraqi products. CDA stressed the importance of expanded trade between Iraq and Kuwait for stability in Iraq and in the region. (Note: As reported septel, Kuwait Customs confirmed to econoff and Embassy Baghdad econcouns that no Iraqi commercial exports are being allowed to enter Kuwait due to concerns over border security and smuggling.)

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